



Amy L. Alvarez
District Manager
Federal Government Affairs

Suite 1000
1120 20th Street, NW
Washington DC 20036
202-457-2315
FAX 202-263-2601
email: alvarez@att.com

December 16, 2003

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

Re: Federal-State Joint Board on Universal Service, WC Docket No. 96-45;
1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements
Associated with Administration of Telecommunications Relay Service, North American
Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms,
WC Docket No. 98-171;
Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the
Americans with Disabilities Act of 1990, WC Docket No. 90-571;
Administration of the North American Numbering Plan and North American Numbering Plan
Cost Recovery Contribution Factor and Fund Size, WC Docket No. 92-237, NSD File
No. L-00-72;
Number Resource Optimization, WC Docket No. 99-200;
Telephone Number Portability, WC Docket No. 95-116;
Truth-in-Billing and Billing Format, WC Docket No. 98-170

Dear Ms. Dortch:

On Monday, December 15, 2003, I met with Diane Law-Hsu, Jim Lande, Henry Morrow and Vickie Robinson of the Telecommunications Access Policy Division of the Wireline Competition Bureau. Participating via conference call were Judy Sello, Mark Lemler and Jim Dion, all of AT&T. The purpose of this meeting was to discuss the rules regarding the true-up process for calendar year 2003 revenues as set forth in the Commission's March 14, 2003 *Order and Second Order on Reconsideration*. The attached charts served as the basis of our discussion.

One electronic copy of this Notice is being submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

cc: Diane Law-Hsu
Jim Lande
Henry Morrow
Vickie Robinson

USAC's True-up Process for Carrier A [who has Under-Reported Enduser Revenues]-- *PAYMENT DUE*

| CARRIER A: As filed through <i>Form 499Q</i> | | As Published Through FCC's Quarterly Public Notices | | CARRIER A: As filed through <i>Form 499A</i> ** | | |
|--|---------------------|---|--|---|-------------------------------------|--|
| \$ Millions | Projected Collected | Quarterly Contribution Factors | Quarterly Circularity Adjustment Factors | \$ Millions | Actual - Collected - All 4 Quarters | Actual - Collected -- 2nd through 4th Quarters |
| 1st Quarter | \$ 4,151 | 0.07281 | n/a | 1st Quarter | n/a | n/a |
| 2nd Quarter | \$ 4,037 | 0.09100 | 0.091489 | 2nd Quarter | n/a | n/a |
| 3rd Quarter | \$ 3,855 | 0.09500 | 0.093798 | 3rd Quarter | n/a | n/a |
| 4th Quarter | \$ 3,341 | 0.09200 | 0.088135 | 4th Quarter | n/a | n/a |
| TOTAL* | \$ 15,384 | | | TOTAL | \$ 15,538 | \$ 11,318 |

* TOTAL number is a sum of quarterly numbers -- not reported

** FCC/USAC may request all carriers to submit a revised Form 499A report (for 2003 only) that should contain Actual Collected Data for 3-Quarters used here for true-up -- as well as for the full year.

OPTION 1: USAC's 2003 True-Up Process (Literal Interpretation of Paragraph 17*-- using 1st Quarter Projection):**

| \$ Millions | TOTAL | 1st Quarter Projection | 2nd through 4th Quarter (Projection and ??) | Payment @.0935 without Circularity Adjustment | Payment @.0935 with Circularity Adjustment of .090967 |
|--|-----------|------------------------|---|---|---|
| A. Projected Collected Base | \$ 15,384 | \$ 4,151 | \$ 11,233 | | |
| B. Actual Collected Base | \$ 15,538 | \$ 4,151 | \$ 11,387 | | |
| C. Under-Payment Delta (Projection - Actual) | | | \$ (154) | \$ 14 | \$ 13 |

OPTION 2: USAC's 2003 True-Up Process (Revised Interpretation -- Using 3-Quarters Actual):

| \$ Millions | TOTAL | 1st Quarter Projection | 2nd through 4th Quarter (Projection and Actual) | Payment @.0935 without Circularity Adjustment | Payment @.0935 with Circularity Adjustment of .090967 |
|--|-------|------------------------|---|---|---|
| A. Projected Collected Base | | | \$ 11,233 | | |
| B. Actual Collected Base | | | \$ 11,318 | | |
| C. Under-Payment Delta (Projection - Actual) | | | \$ (85) | \$ 8 | \$ 7 |

Average of Circularity Adjustment Factors Associated with the two highest Contribution Factors (not counting the 1st Quarter) = **0.090967**

*** { from Paragraph 17 of the FCC Order released March 14, 2003: }... USAC will subtract revenues projected for the first quarter of 2003 from annual revenues reported on the FCC Form 499-A to arrive at an estimate of a contributor's actual revenues for the second through fourth quarters of 2003. **USAC will then compare this amount to the sum of revenues projected for the second through fourth quarters of 2003 to determine whether a refund or collection is appropriate...**

USAC's True-up Process for Carrier B [who has Under-Reported Enduser Revenues]-- REFUND DUE

| CARRIER B: As filed through Form 499Q | | As Published Through FCC's Quarterly Public Notices | | CARRIER B: As filed through Form 499A** | | |
|--|---------------------|---|--|--|-------------------------------------|--|
| \$ Millions | Projected Collected | Quarterly Contribution Factors | Quarterly Circularity Adjustment Factors | \$ Millions | Actual - Collected - All 4 Quarters | Actual - Collected -- 2nd through 4th Quarters |
| 1st Quarter | \$ 4,151 | 0.07281 | n/a | 1st Quarter | n/a | n/a |
| 2nd Quarter | \$ 4,037 | 0.09100 | 0.091489 | 2nd Quarter | n/a | n/a |
| 3rd Quarter | \$ 3,855 | 0.09500 | 0.093798 | 3rd Quarter | n/a | n/a |
| 4th Quarter | \$ 3,341 | 0.09200 | 0.088135 | 4th Quarter | n/a | n/a |
| TOTAL* | \$ 15,384 | | | TOTAL | \$ 15,230 | \$ 11,121 |

* TOTAL number is a sum of quarterly numbers -- not reported

** FCC/USAC may request all carriers to submit a revised Form 499A report (for 2003 only) that should contain Actual Collected Data for 3-Quarters used here for true-up -- as well as for the full year.

OPTION 1: USAC's 2003 True-Up Process (Literal Interpretation of Paragraph 17*-- using 1st Quarter Projection):**

| \$ Millions | TOTAL | 1st Quarter Projection | 2nd through 4th Quarter (Projection and ??) | Payment @.0915 without Circularity Adjustment | Payment @.0915 with Circularity Adjustment of .089812 |
|---|-----------|------------------------|---|---|---|
| A. Projected Collected Base | \$ 15,384 | \$ 4,151 | \$ 11,233 | | |
| B. Actual Collected Base | \$ 15,230 | \$ 4,151 | \$ 11,079 | | |
| C. Over-Payment Delta (Projection - Actual) | | | \$ 154 | \$ 14 | \$ 13 |

OPTION 2: USAC's 2003 True-Up Process (Revised Interpretation -- Using 3-Quarters Actual):

| \$ Millions | TOTAL | 1st Quarter Projection | 2nd through 4th Quarter (Projection and Actual) | Payment @.0915 without Circularity Adjustment | Payment @.0915 with Circularity Adjustment of .089812 |
|---|-------|------------------------|---|---|---|
| A. Projected Collected Base | | | \$ 11,233 | | |
| B. Actual Collected Base | | | \$ 11,121 | | |
| C. Over-Payment Delta (Projection - Actual) | | | \$ 112 | \$ 10 | \$ 9 |

Average of Circularity Adjustment Factors Associated with the two lowest Contribution Factors (not counting the 3rd Quarter)=

0.089812

*** { from Paragraph 17 of the FCC Order released March 14, 2003: }... USAC will subtract revenues projected for the first quarter of 2003 from annual revenues reported on the FCC Form 499-A to arrive at an estimate of a contributor's actual revenues for the second through fourth quarters of 2003. USAC will then compare this amount to the sum of revenues projected for the second through fourth quarters of 2003 to determine whether a refund or collection is appropriate...